**Valley Community Development Corporation**
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**January 13, 2016**

**Responses to Amherst CPC Questions re: Valley CDC Mortgage Subsidy Assistance Program**

1. **Since the $50,000 gets put into a house to make it affordable for one family, and is forgiven over time, it seems the house would be market rate again when it's sold after 30 years. The town usually puts a deed restriction on properties purchased with CPA funds and the committee prefers to fund projects that support on-going affordability. Would you consider using a "silent second mortgage" as a subsidy that remains with the property through subsequent owners, rather than a forgivable mortgage that gives up the subsidy over 30 years? If not, why not?**

The CPA funds will be used to assist the buyers with affordability.  The buyer can expect to have a mortgage of approximately $180,000 - $200,000 in addition to the $50,000 30 year deferred payment loan.  The buyer would execute a mortgage and note outlining the terms and conditions of the use restriction.  The program is designed to help households build equity and assets over time.  If we restrict the property beyond the 30 years we are essentially preventing the LMI household from building equity in the home after having maintained the property without assistance for years.  Perpetuity is generally used in new construction or a complete renovation in affordable housing where the subsidy amount is substantial: $200-$250K per unit. That involves buying land, developing that land, utilizing many professionals including architects/engineers/attorneys and the complex financing that is required for such a development.  This program will have LMI households purchasing "used" houses at market rate and they will need maintenance and repairs.  Additionally affordable housing units have much higher priced comparables and are being sold at a larger reduction due to the deep subsidy for affordable housing development.  The homes the buyers will have to select from will be market rate and therefore much higher priced than affordable homes would be priced.

If the household receiving the assistance wanted to sell after five (5), 10, 15 or even 20 years, our proposed program could be modified so Amherst could pass along the affordability by allowing the current subsidy to reduce the price at the time of the sale to a new qualified buyer. As currently proposed the homeowner at the time of sale would need to pay back some portion of the subsidy.  Example:  A participant receives the $50,000 and lives in the home for 10 years. When they sell the home a recapture of 1/30$^{th}$ per year is calculated which would be $1666.67/annually or $33,333 total, which is due back to the Town.  This $33,333 could be used to reduce the price of the house and be passed on or transferred to the new buyer as long as the buyer qualifies.  The affordability would remain in place for the remaining portion of the 30 year period.  This modification seems reasonable since the 1$^{st}$ assisted owner has to pay this money back so transferring the balance to another LMI FTHB makes sense.

2. **Have any CDBG funds been requested for this project?** NO

3. **Please explain the personnel costs included in this proposal? What do they pay for—general program support or the counseling discussed in the proposal or both?**

If this program was funded, our time spent specifically on the activities described in the proposal would be tracked through our bi-weekly timesheet system. The Town would only be billed for work performed. Those costs would include direct services provided by the Homeownership Coordinator which would include but not be limited to creating program materials, explaining the program to interested households, providing comprehensive first time homebuyer counseling; our Communications Specialist would be responsible for creating and implementing marketing and outreach specifically for the proposed program; and the Executive Director provides supervision and oversight of the program. Since Valley CDC is a small agency (5 employees), our indirect costs (rent, IT, utilities, phone, internet, audit, insurance, etc.) are not broken out separately by department. Each department pays a prorated share of these expenses.

4. **Could you do the project if CPA funds were only made available for the mortgage subsidy?**

No. Valley CDC needs funding for staffing costs to design and implement the proposed program.

5. **The CPA committee would also like to know if AHA has taken a position on this proposal generally.**

Valley CDC is meeting with the AHA at its Board meeting scheduled for January 25th at 4:30 p.m.

6. **Have AHA or the Housing and Sheltering Committee discussed or made a recommendation regarding the proposed use of CPA funds under this proposal for personnel and related costs?**

As noted above, Valley CDC is on the AHA's agenda for its January 25th Board meeting. Valley CDC has been informed that the Housing and Sheltering Committee is meeting on January 14th to prioritize the housing proposals seeking CPA funding.

When we met with the Housing and Sheltering Committee on November 5th, the Committee appeared to understand the cost of running such a program, but we do not recall any particular discussion regarding the use of CPA funds for personnel and related costs.

Similar programs (both down payment and mortgage subsidy programs) have been funded through CPA in a wide variety of towns around the Commonwealth.